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SUBJECT: LOOKING AHEAD TO THE EU-RUSSIA SUMMIT

REF: MOSCOW 4633

Classified By: Minister-Counselor for Political Affairs Alice G. Wells
for reasons 1.4 (b/d).

¶1. (C) Summary: Russia has set a low bar for the EU-Russia summit, and will go to Lisbon prepared to push back on criticism of its human rights and democracy record, as well as to press for clarity on the implications of EU reform. With the continued stand-off over Polish meat, the Russians see "regression," not progress, in the PCA discussions, which is unlikely to be affected by the outcome of the Polish elections. WTO is a priority, with the MFA emphasizing the need for "political level" involvement in resolving outstanding disputes. Energy security is likely to remain contentious, with strong GOR criticism of "unbundling requirements" only marginally offset by a last-minute agreement over an "early warning" system in the event of energy cut-offs. While Russia will push for more effective implementation of the new visa regime, it confronts EU unhappiness over GOR failure to implement the Siberian overflight agreement. Russia remains content to let the momentum of its growing economic relations drive its key European relations forward. End Summary.

Russian Priorities for Summit

¶2. (C) In an October 19 meeting, Director of the Department for European Cooperation Sergey Ryabkov listed the GOR's priorities for the October 26-28 EU-Russia Summit, which will be the last of Putin's presidency. They include the legal framework for EU-Russia ties, including the future of the PCA; WTO accession; energy; a dialogue on a future visa-free regime; and Kosovo. Ryabkov noted that Iran would feature prominently in the working lunch, with the GOR waiting for High Representative Solana's report on his meeting with Iranian former lead nuclear negotiator Ali Larijani in Rome. (Ryabkov's comments predated Larijani's resignation.)

¶3. (C) Ryabkov told us the first agenda item was for the EU and Russia to touch base after the informal summit of EU leaders in Lisbon October 18-19, which reached an agreement on the new EU treaty to be signed on December 13. According to Ryabkov, the GOR wants to discuss how future EU reform will be implemented, and how it will affect neighborhood and security policy. Ryabkov, reiterating published remarks by DFM Grushko, complained that the EU and Russia lacked a structure in which to exchange views and take joint decisions, similar to the NATO-Russia Council. Ryabkov said the GOR was prepared for EU comment on Russia's human rights and democracy track record, and would counter with its own concerns on internal practices in Latvia and Estonia.

The PCA and Poland

¶4. (C) There has been no progress on opening new PCA negotiations, Ryabkov told us, but "regression" instead. He

noted that while the level of EU-brokered contacts between Russia and the Poles had been lower in the past four months than under the German presidency, the issue had been fully explored and each side's position made clear. He doubted that upcoming Polish elections would bring change, because the "fundamental position of Polish politics was hostile" to Russia. He said a breakthrough in negotiations could only come if the new Polish government allowed Russian officials to access its meat-processing facilities, but noted Poland will only discuss the matter through the EU at this point, and the EU will only tell Russia that EU inspectors see nothing wrong. Ryabkov said that the GOR has provided the EU with files showing previous quality and documentation failures. He reiterated that technical, not political, solutions must be found, and that Russia was "quite relaxed" about the process.

¶15. (C) In the wake of Polish President Kaczynski's September unofficial visit to Russia (reftel), Ryabkov admitted to a slight softening of tensions between Russia and Poland. He told us that Presidential Foreign Policy Advisor for Europe Sergey Yastrzhembskiy had visited Poland recently, and Chairman of the Central Elections Committee Vladimir Churov reportedly traveled there on October 20. On the agricultural side, he said there had been a meeting between Russian and Polish heads of Veterinary and Phyto Services in Moscow on October 15, which had been useful to discuss the meat issues, as well as other agricultural cooperation. EC Commissioner for Health and Consumer Protection Markos Kyprianou and Russian Minister of Agriculture Aleksey Gordeyev will meet again after the EU-Russia summit.

WTO Accession: Now or Never?

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¶16. (C) Ryabkov told us that Russia remains politically committed to joining the WTO, and it would "definitely" be discussed at the summit. He noted that there were still ongoing negotiations about IPR and railroad tariffs, and several Nordic countries felt that an export tariff on timber (originally aimed by the GOR at Asian countries) was not compatible with WTO policies. The EU wanted to bring these issues to the political level, Ryabkov said, connecting them with progress on a free trade regime between the EU and Russia. The GOR preferred, however, to bring the tariffs in line with WTO standards more gradually, and gave as an example of this the signing of an agreement on releasing tariffs on steel and steel products. Ryabkov told us that Russian Minister of Economic Development and Trade Nabiullina and EU Trade Commissioner Mendelson would be meeting on the margins of the summit.

¶17. (C) European Commission diplomats were less optimistic that the summit would make progress on Russia's accession. They told us that the Poles are serious about following through on their threats to block Russia's accession unless the meat embargo is resolved. They noted that the GOR had promised they will submit proposals to bring timber and railway tariffs in line with WTO standards before the summit, but said that resolving these issues was firmly a Russian responsibility. Dr. Dimity Danilov, Head of the Department for European Security Studies at the Institute of Europe predicted that if progress was not made at the summit and Russia did not join the WTO within a year, its enthusiasm and efforts would wane. He warned that the EU was underestimating how important it was to use existing momentum to achieve real breakthroughs at the summit.

Energy

¶18. (C) According to Ryabkov, new EU energy regulations requiring "unbundling" production from transportation are "of a discriminatory nature" towards Russia and have faced a

harsh reaction in Moscow, with Putin himself threatening retaliation. Ryabkov noted that the regulations seemed targeted towards recent Russian legislation on the protection of strategic sectors, which would specifically limit foreign investment in oil and gas. While regulations were not yet complete, Ryabkov did not expect the final version to differ significantly. The GOR was prepared to challenge the EU's critique of state corporations, he stressed, and had not received what it considered to be adequate replies to date.

¶ 9. (C) Ryabkov told us that the GOR signed an EU proposal on an early warning system on energy issues on October 17. EC diplomats expressed pleasant surprise, noting that even a week prior the GOR had claimed there was no need for such an agreement, since it always gave the EU "plenty of warning" before reducing supplies to transit countries (Note: EU Commission diplomats ironically noted that in the case of Ukraine in early October, the "early warning" had been 24 hours). However, diplomats believe that Russia wanted to make progress on energy dialogues to reassure Europe of Russia's dependability. Danilov agreed, noting that while the Europeans see this as a security matter, the GOR views it as a business matter.

Kosovo: No Change in Position Expected

¶ 10. (C) Ryabkov did not expect a breakthrough on Kosovo, and stressed that the GOR had "no expectations of disunity" among member states on Kosovo's final status. He stressed that EU recognition of a unilateral declaration of independence would be a "very grave" development, and said that Russia would "strongly urge" them to think more about it at the summit. The GOR saw the troika process as more useful than expected, with both the Serbs and Kosovars expressing a genuine interest in the questions on the table. Ryabkov told us that this progress should be supported and that Russia will continue to urge countries to refrain from public statements on the endgame. Ryabkov stressed that the GOR will support an extension of negotiations beyond December 10 and argued that "closing the door on the 10th" was an untenable solution.

Visa Free Regime and Overflights

¶ 11. (C) Ryabkov predicted that the EU will keep the emphasis of dialogue on the future of a visa free regime focused firmly on "the future." He said that new visa procedures have been implemented on easing diplomatic, business, and student travel, but the major obstacle to implementation remains the noncompliance of EU member states on short turnaround times and the charging of higher visa fees then

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agreed. He also complained that some countries were requiring a long list of documents from truck drivers, plane crews, and others who need a multiple-entry visa. He said that the issue is "technical, yet political at the same time."

¶ 12. (C) EC diplomats told us that Siberian overflight rights, an outstanding irritant between the EU and Russia, were agreed to last year, but Russia still has not signed the agreements. Putin reaffirmed on October 15 that Russia would join, but nothing has been received yet. EC diplomats asserted that the EU would link failure on this issue to an upcoming aviation summit in November, and would cancel it if the Russians did not show progress. Still, they saw last minute Russian compliance as "not impossible."

Comment

¶ 13. (C) Russia has set a low bar for the EU summit, and is content to let the momentum of growing economic ties drive its European partnerships. Small deliverables, the vigor of

the industrialists' roundtable, and even an imperfect implementation of new visa procedures highlight that political problems remain separate from bountiful economic relations.

Burns